

Internal Unrest in South Asia: Recent Developments in Nepal and Sri Lanka

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Mr. Chairman and members of the Committee, thank you for inviting me here today to discuss recent developments in Nepal and Sri Lanka. These two South Asian nations are both struggling today to confront domestic insurgencies that have placed their institutions and their people at great risk.

Let me first turn to Nepal.

The United States' primary objectives in Nepal are the restoration of multi-party democracy and the prevention of a Maoist takeover. We believe that reconciliation between the King and the political parties, and a return to democracy is the only path toward an effective counter-insurgency strategy and the restoration of security, government services, exercise of political rights, and respect for human rights. At the same time, we are concerned that Maoists, who have refused to renounce violence, have gained a greater degree of legitimacy from their engagement with the political parties.

A Maoist takeover would almost certainly lead to instability in a region of great importance to the United States. Nepal nestles between China and India, the two fastest growing economies in the world. Our ability to advance our relationships with these two emerging powers will go far to determining the success of U.S. foreign policy in the coming decades.

I have just returned from Nepal where I reiterated the President's message on Nepal – his call in New Delhi for the King to reach out to the parties, and for the Maoists to foreswear violence.

It is clear the political crisis is now reaching an acute phase. Since assuming “temporary” authoritarian power on February 1, 2005, King Gyanendra and his government have become increasingly divorced from the political parties and population, while the Maoist insurgency makes steady advances in the countryside and continues its campaign of violence and intimidation. Fourteen months of palace rule have only made the security situation in Nepal more precarious, emboldened the Maoist insurgents, and

widened the division between the country's legitimate political forces – the major political parties and the King.

The King has not initiated a dialogue with the parties and he is losing domestic support. The seven major political parties have been equally reluctant to engage with the King and have entered into a “12 Point Understanding” with the Maoists. But we believe that the Maoists must forswear violence before they can be considered a legitimate political force. Moreover, the agreement is flawed in that it does not commit the Maoists to abandon their campaign of violence.

The February 8 municipal elections, called by King Gyanendra, only showcased his increasing isolation. While the political parties boycotted the elections and organized mass demonstrations, the Maoists stepped up attacks to successfully disrupt voting. Only 20 percent of eligible voters participated in the elections. Nationwide, only 15 percent of seats in the 36 municipalities conducting elections were contested, 54 percent had no candidates, and 31 percent of candidates were elected unopposed. In our view, this election was little more than a hollow attempt by the King to legitimize his power.

The Maoists meanwhile continue their drive to topple the monarchy. Since ending their four month unilateral ceasefire in January, they have launched a new wave of attacks and have made clear in public statements they intend to increase pressure through April. The Maoists' understanding with the political parties has further consolidated their power and strengthened their position against the King.

Since the King's seizure of power in February 2005, we have placed a hold on lethal assistance to Nepal, as have India and the European Union. The FY 06 Foreign Operations Appropriations Act stipulates that Foreign Military Financing (FMF) will only be made available to Nepal if the Secretary of State certifies that the government of Nepal has restored civil liberties, is protecting human rights, and has demonstrated, through dialogue with Nepal's political parties, a commitment to a clear timetable to restore multi-party democratic government consistent with the 1990 Nepalese constitution.

Regrettably, democracy has not been restored, nor have human rights conditions significantly improved, since February 2005. In their struggle against the Maoists, Nepalese security forces have committed serious human rights abuses, including unaccounted-for detentions, disappearance of detainees, torture, and arbitrary and unwarranted use of lethal force. Prior to the February 2006 municipal elections, opposition leaders were put under house arrest and the government detained hundreds of political activists. We have repeatedly urged the King to release all political detainees.

Maoist insurgents systematically employ violence and terror, and commit human rights abuses including killings, torture, bombings, extortion, kidnapping, and recruitment of child soldiers. During the February elections, Maoist insurgents threatened candidates and their families, bombed the residences of a number of candidates and elected officials, and assassinated two candidates for office.

The international community is fully engaged on Nepal and the deteriorating conditions there. We have worked with India, the UK, the EU and others to keep pressure on the King. President Bush discussed Nepal with Indian Prime Minister Singh during the President's recent visit to New Delhi. They agreed the King should reach out to the political parties to restore democratic institutions and that the Maoists should abandon violence. Japan and China have also become more engaged on Nepal policy and have called for the King to reconcile with the parties.

Additionally, at last year's session of the UN Commission on Human Rights, our support was critical to the successful negotiation of a technical assistance resolution which called on the government to restore multiparty democracy and respect human rights and the rule of law. The resolution requested the UN High Commissioner for Human Rights to establish an office to assist Nepalese authorities in developing policies and programs for the promotion, protection, and monitoring of human rights. As a result, the United Nations Office of the High Commissioner for Human Rights (OHCHR) was established in Kathmandu in May 2005. We are providing funding for the OHCHR, which has reported progress in some areas, such as improved access to detention centers and enhancements in the legal status of women.

The plight of refugees in Nepal is another critical human rights issue. Bhutanese Government policies in the early 1990s caused tens of thousands of ethnic Nepalese to leave Bhutan. As a result, over 100,000 ethnic Nepalese refugees from Bhutan have been living in seven camps in southeastern Nepal. Despite fifteen years and fifteen rounds of formal negotiations between Bhutan and Nepal, no refugees have been permitted to return to Bhutan.

As the situation facing the refugees in the camps grows more tenuous, there is a clear and immediate need to provide durable solutions. The international community was encouraged by Bhutan's fall 2005 agreement to allow the voluntary return of 640 individuals in Khudunabari Camp. This could be an important first step to break the current impasse. But no refugees have yet returned to Bhutan. We urge speedy implementation of this commitment.

Ultimately, repatriation to Bhutan will not be the durable solution for every individual. We hope that Nepal will allow UNHCR to begin registering the refugees in the camps, a step that is necessary to lay the foundations for the future provision of other durable solutions, including third country resettlement.

We are also focused on ensuring the protection of Tibetans transiting Nepal to India. In November, the Government of Nepal suspended issuance of exit permits to Tibetans for their onward travel to India. The situation left hundreds of Tibetans stranded in Nepal, and exacerbated severe overcrowding at a shelter for Tibetans in Kathmandu. Funding from the U.S. Government is supporting an expansion of the center to ease overcrowding. We have repeatedly pressed the Government of Nepal to end the exit permit suspension, but the situation is unresolved. We have also pressed the Government

to permit registration of the Tibetan Welfare Society, an organization poised to provide assistance to vulnerable Tibetans in Nepal.

I turn now to Sri Lanka.

Sri Lanka's long-standing ethnic conflict and fragile peace process continue to cause enormous concern for the United States and the international community. The senseless assassination of Foreign Minister Kadirgamar in August 2005, coupled with an intense presidential campaign, heightened tensions in Sri Lanka throughout the fall of 2005. Following President Mahinda Rajapaksa's election on November 17, 2005, escalating violence took the lives of Tamil civilians and almost one hundred Sri Lankan security personnel, putting the four-year ceasefire agreement between the Government of Sri Lanka and the Liberation Tigers of Tamil Eelam (LTTE) at risk. As the attacks continued, President Rajapaksa came under pressure to respond. To its credit, the government showed significant restraint in the face of these provocations and maintained the ceasefire.

Given the deteriorating situation on the ground, the United States, the European Union, Norway and Japan – the Co-Chairs of the Sri Lanka Donor Group – met several times in 2005 and early 2006 to discuss possible solutions. The Co-Chairs sent strong messages to both the Sri Lankan Government and the LTTE to end the violence and uphold the fragile ceasefire agreement. Norway's vital role as facilitator of the peace process merits special mention. We and other members of the international community greatly appreciate and fully support the ongoing Norwegian efforts to move Sri Lanka's peace process forward.

Both Under Secretary for Political Affairs R. Nicholas Burns and Norwegian Peace Envoy and Minister for Development Erik Solheim traveled to Sri Lanka in January. U/S Burns met President Rajapaksa and other senior government officials to urge an end to the violence, a return to negotiations, and the preservation of the ceasefire agreement. Solheim also met with government officials as well as with the LTTE leadership, including its elusive commander Prabhakaran.

As a result of our respective efforts, Sri Lankan Government and LTTE negotiators met in Geneva on February 22 and 23, 2006, marking the first time in over three years the two sides had returned to the negotiating table. The negotiators achieved two significant outcomes that should give the peace process in Sri Lanka a new momentum. First, they agreed to refrain from violence and uphold the ceasefire agreement. The government specifically addressed the problem of armed groups, a serious Tamil grievance, and committed to ensuring that "no armed group or person other than government security forces will carry arms or conduct armed operations." The LTTE pledged to take "all necessary measures to ensure that there will be no acts of violence against the security forces and police." Given the difficulty involved in even

convening this meeting and seeing it through to a conclusion, we consider it a significant achievement that both sides agreed to meet again in Geneva April 19 – 21.

We welcome the outcome of the Geneva talks and hope that additional progress will be made in April. We are fully aware, however, of the challenges both parties face in order to fulfill their Geneva commitments. The Sri Lanka Monitoring Mission, now led by Sweden, will monitor ceasefire violations in the coming weeks and report on implementation of the ceasefire at the next round of talks in April. We hope both sides will fully implement their commitments to build a level of confidence between them that will yield even more successful results in the next round of talks. We will continue to work with Norway and the other Co-Chairs to keep the pressure on both parties as we head into the April discussions.

While the situation in Sri Lanka remains tenuous, we are hopeful that all parties to the conflict will make serious efforts to bring lasting and stable peace throughout the island. The Government of Sri Lanka is currently focused on the peace process and the next round of ceasefire implementation talks with the LTTE in April. Local government elections are currently scheduled to be held March 30 across the country, including in the north and east.

As for Sri Lanka's economic outlook, the country's economy was not as severely affected by the tsunami as initially feared. Growth for 2005 is estimated to be around 5.5 percent, up slightly from 5.4 percent in 2004. As the recovery process continues, however, and large inflows of assistance begin to decrease, the economy will face several key challenges. The primary challenges stem from deteriorating infrastructure, high energy prices, and outdated labor laws. A high and growing oil import bill, continued high inflation, the pace of tsunami reconstruction, uncertainty surrounding the peace process and its effect on the investment climate and subsidy costs also pose significant challenges.

President Rajapaksa has pledged 8 percent annual economic growth. Such a growth rate will require significantly higher investment, and foreign investment is a critical source. Foreign investors have been reluctant to sink funds in Sri Lanka for many of the reasons I just mentioned. Further, the Government of Sri Lanka has not made sufficient efforts to streamline the investment processes. As Ambassador Lunstead has repeatedly stressed, Sri Lanka needs to make it easier to invest there than anywhere else, in order to attract funds and draw on increasing financial interests in the region, driven by India's continued high levels of growth. While President Rajapaksa claims to want a strong private sector to drive growth, his Government's policies continue to favor more government intervention in the economy. Our Embassy's Commercial Section, along with the Commerce Department and other USG agencies, are working with the Sri Lankan authorities to encourage greater market access, intellectual property rights protection, and more transparent government tendering procedures.

Sri Lanka has been selected as a country eligible to receive Millennium Challenge Account assistance for fiscal year 2006. Sri Lanka submitted its compact proposal

focusing largely on rural development to the Millennium Challenge Corporation in August 2005 and due diligence is underway, along with negotiation of compact terms. Our agreed timeline with the Government of Sri Lanka is focused on getting to a signed compact during the third quarter of 2006.

Regarding human rights and humanitarian issues, despite the ongoing conflict, Sri Lanka is a fully functioning, stable democracy with strong democratic institutions and traditions, including freedom of the press. The November 2005 presidential election was deemed by international monitors to be free and fair, although an LTTE boycott of the elections prevented voters in LTTE-controlled areas from going to the polls. The U.S. Embassy in Colombo closely observed the elections, deploying eight teams to visit different locations around the country, including regions under LTTE control. USAID supported the two largest domestic monitoring organizations, which deployed more than 20,000 domestic monitors.

Reported human rights violations in Sri Lanka are largely related to the ongoing domestic conflict: government security forces, LTTE cadres, and other armed groups have all been accused of abuses. Sri Lankan police and security forces have been accused of torture and links to paramilitary groups participating in armed attacks. In one recent high-profile case, employees of the Tamil Relief Organization (TRO) were reportedly abducted by armed groups and some were later released. Immediately upon hearing the news of the abductions, Ambassador Lunstead contacted high-level Sri Lankan government officials to express our concerns. Our Embassy released a press statement, reinforcing our concerns and urging restraint. The Sri Lankan government is investigating the incident and our Embassy continues to follow developments on the case.

The LTTE has engaged in politically motivated killings, disappearances, torture, arbitrary arrest and detention, denial of fair public trial, arbitrary interference with privacy, and denial of freedom of speech, press, assembly and association. We are particularly concerned about ongoing LTTE recruitment of child soldiers, in spite of its pledge to end such activity.

Religious freedom is a critical issue for Sri Lanka's Buddhist, Hindu, Christian, and Muslim populations. The freedom to practice one's religion is protected under law. There have been occasional reports of harassment of Christians. Anti-conversion legislation introduced by a Buddhist extremist party under the previous government did not pass and is not expected to be re-introduced. A delegation from the U.S. Commission on International Religious Freedom visited Sri Lanka in late February.

Since mid-December 2005, the UN High Commissioner for Refugees (UNHCR) has monitored the flight of nearly 500 Sri Lankan refugees to Tamil Nadu, India, and the internal displacement of 6,000 families from the Jaffna Peninsula and the eastern district of Trincomalee. UNHCR will not resume repatriation activities from India until the situation in Sri Lanka shows improvement. UNHCR was encouraged by the sharp drop in the number of newly arriving refugees following the announcement of the Geneva

peace talks. Camp conditions as of February 2006 were stable, and a major influx of refugees is not expected.

Tsunami relief and reconstruction efforts continue to be among the USG's highest priorities. The U.S. Government provided assistance totaling \$134.6 million in Sri Lanka. Immediately following the disaster, USAID funded emergency services, such as temporary shelter, food, water, relief supplies, water purification, health surveillance, psycho-social services and protection for children, and cash-for-work programs that infused money into local economies. Since June, USG efforts have focused on reconstruction, including large scale infrastructure projects, workforce development, and sewage management. Innovative means to engage youth in reconstruction efforts and using these projects to bridge ethnic differences are, moreover, contributing to peace building efforts. Recently, 75 young adults from different ethnic groups worked together to produce films examining the linkages between underdevelopment, violence, conflict and tsunami reconstruction in the South. Additional funding has been directed to livelihoods activities, small-scale infrastructure, good governance, information dissemination, and urban planning. A USG-funded anti-corruption program was launched in 2005 to enhance oversight of tsunami rehabilitation programs. After completing a strategic assessment, this program will provide technical assistance and training to the Auditor General's Department's tsunami auditing teams and to the Commission to Investigate Allegations of Bribery and Corruption's legal and investigative staff.

Assistance has been unevenly distributed in LTTE-controlled areas in the north and east. An agreement between former President Kumaratunga's government and the LTTE to coordinate relief in Tamil areas through the Post-Tsunami Operational Management Structure (P-TOMS) mechanism was never implemented, because parts of the arrangement were found to be unconstitutional by the Supreme Court. President Rajapaksa has created a new agency to oversee tsunami reconstruction and has announced a new program that seeks to replace the defunct P-TOMS.

Mr. Chairman, we are deeply committed to achieving peace and stability in Nepal and Sri Lanka. The President's remarks on Nepal following his meeting with Indian Prime Minister Singh highlight the level of importance to us of these issues. We will continue to work on the ground in South Asia with our friends and allies, through international fora such as the Co-Chairs group in Sri Lanka, and through the extensive outreach programs of our Embassies in Kathmandu and Colombo to help the Nepalese and Sri Lankan people overcome the considerable obstacles before them on their path to peace and prosperity.

Thank you again for the opportunity to appear before you. I would be pleased to answer your questions.